

# Annual Financial Statements

for

## ***Mthonjaneni Municipality***

for the quarter ended 30 June: **2014**

Province:

KwaZulu Natal

AFS rounding:

***R (i.e. only cents)***

### **Contact Information:**

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**Mthonjaneni Municipality**  
**ANNUAL FINANCIAL STATEMENTS**  
for the year ended 30 June 2014

**General information**

**Members of the Council**

Cllr M. N. Ndlangamandla  
Cllr N. A. Jiyane  
Cllr G. V. P. Gumede  
Cllr M. N. Biyela  
Cllr E. Masikane  
Cllr H. K. L. Zungu  
Cllr M. Khuzwayo  
Cllr P. E. Ntombela  
Cllr M. S. Zulu  
Cllr S. B. K. Biyela  
Cllr N. E. Mgenge

**Mayor**

**Speaker**

**Deputy Mayor**

Member of the Executive Committee

Member of MPAC (1 July 2013 - 31 May 2014)

Member

Member of MPAC (01 - 30 June 2014)

Member

Member

Member

Member

**Municipal Manager**

Mr R. P. Mnguni

**Chief Financial Officer**

Ms T. N. Simamane

**Grading of Local Authority**

Grade 1

**Demarcation code**

KZ 285

**Lawyers**

Wynne & Wynne

**Chief whip**

**Auditors**

Auditor-General

**Bankers**

First National Bank

**Mthonjaneni Municipality**  
**ANNUAL FINANCIAL STATEMENTS**  
for the year ended 30 June 2014

**General information (continued)**

**Registered Office:** Mthonjaneni Municipality

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Melmoth  
3835

**Postal address:**  
P. O. Box 11  
Melmoth  
3835

**Telephone number:** (035) 450 2082

**Fax number:** (035) 450 2056

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**Mthonjaneni Municipality**  
**ANNUAL FINANCIAL STATEMENTS**  
for the year ended 30 June 2014

**Approval of annual financial statements**

I am responsible for the preparation of these annual financial statements, which are set out on pages 5 to 44, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors, as disclosed in note 26 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.



R P Mnguni  
Municipal Manager:

DATE

14/11/2014

**Mthonjeni Municipality**  
**ANNUAL FINANCIAL STATEMENTS**  
for the year ended 30 June 2014

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**Mthonjaneni Municipality**  
**STATEMENT OF FINANCIAL POSITION**  
as at 30 June 2014

	Note	2014 R	Restated 2013 R
<b>ASSETS</b>			
<b>Current assets</b>		<b>58 463 849</b>	<b>84 195 016</b>
Cash and cash equivalents	2	20 266 665	721
Trade and other receivables from exchange transactions	3	2 835 972	2 525 591
Other receivables from non-exchange transactions	5	8 870 201	14 220 298
Inventories	6	620 614	408 406
Investments	7	25 870 397	67 040 000
<b>Non-current assets</b>		<b>150 440 099</b>	<b>124 967 263</b>
Property, plant and equipment	8	143 860 096	117 299 531
Intangible assets	9	159 145	40 754
Investment property	10	2 449 250	2 490 079
Heritage Assets	12	589	589
Biological Assets	11	3 971 018	5 136 310
<b>Total assets</b>		<b>208 903 948</b>	<b>209 162 279</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>		<b>5 072 635</b>	<b>18 463 942</b>
Trade and other payables from exchange transactions	13	3 710 472	2 877 627
Consumer deposits	14	1 016 226	1 002 240
Current provisions	15	345 937	-
Unspent conditional grants and receipts	16	-	13 526 452
Bank Overdraft		-	1 057 623
<b>Non-current liabilities</b>		<b>6 911 810</b>	<b>5 761 040</b>
Non-current provisions	17	4 615 810	3 449 040
Defined benefit plan obligations	42	2 296 000	2 312 000
<b>Total liabilities</b>		<b>11 984 445</b>	<b>24 224 982</b>
<b>Net assets</b>		<b>196 919 503</b>	<b>184 937 297</b>
<b>NET ASSETS</b>			
Accumulated surplus / (deficit)		196 919 503	184 937 297
<b>Total net assets</b>		<b>196 919 503</b>	<b>184 937 297</b>

**Mthonjaneni Municipality**  
**STATEMENT OF FINANCIAL PERFORMANCE**  
for the year ending 30 June 2014

	Note	2014 R	Restated 2013 R
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>		<b>27 478 042</b>	<b>24 906 025</b>
Service charges	19	19 118 537	17 774 835
Rental of facilities and equipment	20	244 721	498 156
Interest earned - external investments	21	4 209 775	3 409 693
Licences and permits		2 441 629	2 795 475
Other income	24	1 463 380	427 866
<b>Revenue from non exchange transactions</b>		<b>70 681 754</b>	<b>73 244 311</b>
Property rates	18	6 978 531	7 085 283
Property rates - penalties imposed and collection charges	18	527 353	336 508
Fines	22	15 883 762	2 461 971
Government grants and subsidies	23	47 292 108	63 360 549
<b>Total revenue</b>		<b>98 159 796</b>	<b>98 150 336</b>
<b>Expenses</b>			
Employee related costs	25	19 649 413	15 107 723
Remuneration of councillors	26	2 843 195	2 666 396
Impairment loss	4	1 767 654	-
Collection costs	36	-	58 970
Depreciation and amortisation expense	27	3 072 835	3 198 958
Repairs and maintenance	34	2 114 893	2 191 992
Bulk purchases	28	16 897 374	14 295 429
Contracted services	29	4 040 941	3 204 341
General expenses	30	35 859 540	22 886 028
<b>Total expenses</b>		<b>86 235 844</b>	<b>63 609 837</b>
Gain / (loss) on sale of assets	31	43 396	(257)
(Deficit)/Surplus from discontinued operations	40	-	13 318
<b>Surplus / (deficit) for the period</b>		<b>11 967 349</b>	<b>34 540 499</b>

**Mthonjaneni Municipality**

**Mthonjaneni Municipality**  
**STATEMENT OF CHANGES IN NET ASSETS**  
as at 30 June 2014

	Note	Accumulated	Total: Net Assets	
		Surplus/(Deficit)	R	R
<b>Balance at 30 June 2012</b>		<b>142 566 075</b>		<b>142 566 075</b>
<b>Restated balance</b>		<b>142 566 075</b>		<b>142 566 075</b>
Correction of prior period error		(1 077 020)		(1 077 020)
Surplus / (deficit) for the period	48	34 540 499		34 540 499
<b>Balance at 30 June 2013</b>		<b>176 029 554</b>		<b>176 029 554</b>
Correction of prior period error	48	8 918 946		8 918 946
<b>Restated balance</b>		<b>184 948 500</b>		<b>184 948 500</b>
Surplus / (deficit) for the period		11 967 349		11 967 349
<b>Balance at 30 June 2014</b>		<b>196 919 503</b>		<b>196 919 503</b>



**Mthonjaneni Municipality**

**CASH FLOW STATEMENT**

as at 30 June 2014

	Note	2014 R	Restated 2013 R
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts		70 551 239	98 150 591
Sales of goods and services		31 546 536	27 992 101
Grants		33 766 256	63 360 549
Interest received		4 209 775	3 409 693
Other receipts		1 028 672	3 388 248
Payments		61 722 398	63 107 958
Employee costs		22 492 608	17 774 119
Suppliers		39 229 790	37 766 771
Other payments			7 567 068
<b>Net cash flows from operating activities</b>	32	<b>8 828 841</b>	<b>35 042 633</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of fixed assets (PPE)	8	(29 815 358)	(29 283 943)
Proceeds from sale of fixed assets		208 483	-
Purchase of intangibles		(139 610)	(23 912)
<b>Net cash flows from investing activities</b>		<b>(29 746 485)</b>	<b>(29 307 855)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Increase/(Decrease) in consumer deposits		13 986	203 020
<b>Net cash flows from financing activities</b>		<b>13 986</b>	<b>203 020</b>
<b>Net increase / (decrease) in net cash and cash equivalents</b>		<b>(20 903 658)</b>	<b>5 937 797</b>
<b>Net cash and cash equivalents at beginning of period</b>		<b>67 040 721</b>	<b>61 102 924</b>
<b>Net cash and cash equivalents at end of period</b>	33	<b>46 137 063</b>	<b>67 040 721</b>

**Mthorjaneni Municipality**  
**STATEMENT OF BUDGETED INFORMATION AND APPROPRIATION STATEMENT**  
as at 30 June 2014

Description	Original Budget 1	Budget Adjustments (I.t.o. s28 & s31 Of The MFMA)	Virement (I.t.o. Council Approved By-law)	Final Budget 4	Actual Income/ expenditure 5	Unauthorised Expenditure 6	Variance 7	Actual Income As % Of Final Budget 8	Actual Outcome As % Of Original Budget 9	Reason for variance 10
<b>Financial Performance</b>										
Property Rates	6 650 000	950 000		7 600 000	7 505 885		94 115	99	113	
Service Charges	19 435 000			19 435 000	19 118 537		316 463	98	98	
Investment Revenue							0			
Transfers Recognised - Operational	33 139 000	-11 762 000		21 377 000	30 770 383		-9 393 383	144	93	The department of Corporate Governance and Traditional Affairs offset unspent conditional grant (INEP) to an amount of R10 695 000 on the 5th of July 2013 against equitable share allocation.
Interest earned-external Investment	1 750 000	2 050 000		3 800 000	4 176 379		-376 379	110	239	The Municipality invested more than anticipated at better interest rates.
Rental of facilities and equipment	385 000	-110 000		275 000	244 721		30 279	89	64	
Fines	1 902 000	688 000		2 600 000	15 831 162		-13 231 162	609	832	The municipality implemented Grap 23 hence an additional revenue from traffic fines amounting to R12 578 173.88 was recognised during this year.
Licences and permits	2 832 000			2 832 000	2 441 629		390 371	86	86	
Government grants and subsidies							0			
Other Own Revenue	755 000	87 000		842 000	1 463 380		-621 380	174	194	
External Loan							0			
<b>Total Revenue (Excluding Capital Transfers &amp; Contributions)</b>	<b>68 848 000</b>	<b>-8 087 000</b>	<b>-</b>	<b>58 761 000</b>	<b>81 552 076</b>	<b>-</b>	<b>-22 791 075.99</b>	<b>139</b>	<b>122</b>	<b>0</b>
Employee Costs	18 555 000	1 039 000	54 413	19 649 413	19 649 413	0	0	100	108	
Remuneration Of Councillors	2 878 000			2 878 000	2 843 195		35 805	99	99	
Contribution to provisions and impairments										
Depreciation	1 200 000			1 200 000	20 764 161	-19 564 161	-19 564 161	1 730	1 730	The municipality implemented Grap 23 hence an additional revenue from traffic fines amounting to R12 578 173.88 was recognised during this year.
Finance Charges	3 700 000	-2 500 000		3 700 000	3 072 835		627 165	83	83	
Materials & Bulk Purchases	2 500 000									
Transfers & Grants	17 456 000			17 456 000	16 887 374		568 626	97	97	
Contracted Services	5 193 000	1 589 000	-1 901 509	4 880 491	4 040 941		839 550	83	78	
Other Expenditures	12 276 000	2 384 000	1 847 096	16 517 096	16 863 033		-345 937	102	137	
Repairs and maintenance	3 587 000	-430 000		3 157 000	2 114 893		1 042 107	67	59	
<b>Total Expenditure</b>	<b>67 347 000</b>	<b>2 092 000</b>	<b>-</b>	<b>69 439 000</b>	<b>86 235 844</b>	<b>-19 584 161</b>	<b>-16 796 844</b>	<b>124</b>	<b>128</b>	
<b>Surplus/(Deficit)</b>	<b>-499 000</b>	<b>-10 179 000</b>	<b>-</b>	<b>-10 678 000</b>	<b>-4 683 768</b>	<b>19 564 161</b>	<b>-5 994 232</b>	<b>44</b>	<b>939</b>	
Transfers Recognised - Capital	12 487 000	13 923 000		26 410 000	16 522 324		9 887 676	63	132	The department of Corporate Governance and Traditional Affairs offset unspent conditional grant (INEP) to an amount of R10 695 000 on the 5th of July 2013 against equitable share allocation.

Contributions Recognised - Capital & Contributed Assets									
Surplus/(Deficit) After Capital Transfers & Contributions	11 988 000	3 444 000	-	15 432 000	11 838 556	19 564 161	3 593 444	77	98
Share Of Surplus/(Deficit) Of Associate									
Surplus/(Deficit) For The Year	11 988 000	3 444 000	-	15 432 000	11 838 556	19 564 161	3 593 444	77	99
<b>Capital Expenditure &amp; Funds Sources</b>									
<b>Capital Expenditure</b>									
Transfers Recognised - Capital	12 487 000	13 623 000		26 110 000	16 522 324		9 587 676	63	132
Public Contributions & Donations									
Borrowing									
Internally Generated Funds	21 713 000	7 235 000		28 948 000			28 948 000	0	0
Total Sources Of Capital Funds	34 200 000	20 858 000	-	55 058 000	16 522 324	-	38 535 676	30	48
<b>Cash flows</b>									
Net Cash From (Used) Operating	42 817 000	-32 460 000		10 357 000	8 828 841		1 528 159	85	21
Net Cash From (Used) Investing	-34 200 000	-20 858 000		-55 058 000	-29 746 485		-25 311 515	54	87
Net Cash From (Used) Financing	60 000			60 000	13 988		46 014	23	23
Cash/Cash Equivalents At The Year End	8 677 000	-53 318 000.00	-	-44 641 000.00	-20 903 658	-	-23 737 342	47	-241

The department of Corporate Governance and Traditional Affairs offset unpaid conditional grant (INEP) to an amount of R10 895 000 on the 31st of July 2013 against equitable share allocation.

**Mthonjaneni Municipality**  
**ACCOUNTING POLICIES**  
for the year ending 30 June 2014

**1 BASIS OF ACCOUNTING**

**1.1 BASIS OF PRESENTATION**

These annual financial statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

The principal accounting policies adopted in the preparation of these annual financial statements are set out below.

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant policy.

**1.2 PRESENTATION CURRENCY**

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

**1.3 GOING CONCERN ASSUMPTION**

These annual financial statements have been prepared on the assumption that the municipality will continue to operate as a going concern for at least the next 12 months.

**1.4 COMPARATIVE INFORMATION**

Budget information in accordance with GRAP 24, has been provided to these financial statements and forms part of the audited annual financial statements.

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

**1.5 Value Added Tax (VAT):**

The municipality accounts for VAT on accrual basis, based on the approval received from the Commissioner for South African Revenue Services to an application by the Municipality, permission has been given to remit or claim for value - added tax on the payments basis for debtors and creditors.

**1.6 STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED**

**EFFECTIVE**

The following GRAP standards and interpretations are newly effective and have been adopted by the municipality:

**Standards**

GRAP 25 - Employee Benefits

GRAP 31 - Intangible Assets, Replacing GRAP 102

**Interpretations**

IGRAP 16 - Intangible Assets - Website cost

IGRAP 1 - Applying Probability test on Initial Recognition of Revenue

## **NOT YET EFFECTIVE**

The following standards, amendments to standards and interpretations have been newly issued but are not yet effective and have not been early adopted by the municipality:

### **Standards**

GRAP 32- Service Concession

GRAP 108 - Statutory Receivables

### **Interpretations**

IGRAP 17 - Service Concession Arrangements Where Controls a Significant Residual Interest in an Asset

The following standards, amendments to standards and interpretations have been issued but are not yet effective and have not been early adopted by the municipality:

### **Standards**

GRAP 18 - Segment Reporting

GRAP 20 - Relating Party Disclosure

GRAP 105 - Transfere of Functions Between Entities under Common Control

GRAP 106 - Transfere of Functions Between Entities Not under Common Control

GRAP 107 - Mergers

### **Impact on adoption**

#### **GRAP 32- Service Concession**

A service concession arrangement is an arrangement whereby a government or other public sector body contracts with a private operator to develop (or upgrade), operate and maintain the grantor's infrastructure assets such as roads, bridges, tunnels, airports, energy distribution networks, prisons or hospitals. The grantor controls or regulates what services the operator must provide using the assets, to whom, and at what price, and also controls any significant residual interest in the assets at the end of the term of the arrangement.

The municipality do not have the arrangement of this nature therefore the adoption of which will have no impact.

#### **GRAP 108 - Statutory Receivables**

Statutory receivables are receivables that arise from legislation, supporting regulations, or similar means and require settlement by another entity in cash or another financial asset. The transaction amount (for purposes of this Standard) for a statutory receivable means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

The adoption of this standard will have no financial impact only the presentation and disclosure on the AFS.

#### **GRAP 18 - Segment Reporting**

A segment is an activity of an entity that generates economic benefits or service potential (including economic benefits or service potential relating to transactions between activities of the same entity) whose results are regularly reviewed by management to make decisions about resources to be allocated to that activity and in assessing its performance and for which separate financial information is available.

The municipality do not have segment therefore there will be no impact on adoption of this standard.

#### **GRAP 20 - Relating Party Disclosure**

Related Party Disclosures requires disclosures about transactions and outstanding balances with an entity's related parties. The standard defines various classes of entities and people as related parties and sets out the disclosures required in respect of those parties, including the compensation of key management personnel.

The adoption of this standard will have no financial impact only the presentation and disclosure on the AFS.

#### **GRAP 105 - Transfere of Functions Between Entities under Common Control**

The municipality do not have the entity under its control therefore the adoption of GRAP 105 will have no impact on municipalities operations nor reportings

#### **GRAP 106 - Transfere of Functions Between Entities Not under Common Control**

A transfer of functions is the reorganisational and/or re-allocation of functions between entities by transferring functions between entities or into another entity.

The municipality do not have functions that will be transferred to or from another entity therefore adoption of GRAP 106 will have not impact.

#### **GRAP 107 - Mergers**

A merger is the establishment of a new combined entity in which none of the former entities obtain control over any other and no acquirer can be identified.

The adoption of GRAP 107 will result in an increase in Assets and liabilities.

### **1.7 EVENTS AFTER REPORTING DATE**

Events after reporting date that are classified as adjusting events are accounted for in the annual financial statements. The events after the reporting date that are classified as non-adjusting events have been disclosed in the notes to the annual financial statements.

### **1.8 COMMITMENTS**

Items are classified as commitments where the municipality commits itself to future transactions that will result in the future outflow of resources.

### **1.9 BUDGET INFORMATION**

Budget information in accordance with GRAP 24, has been provided to these financial statements and forms part of the audited annual financial statements.

## **2 2 PROPERTY, PLANT AND EQUIPMENT**

### **2.1 INITIAL RECOGNITION**

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

### **2.3 SUBSEQUENT MEASUREMENT - COST MODEL**

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

### **2.4 DEPRECIATION AND IMPAIRMENT**

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated average asset lives:

<b>Infrastructure</b>		<b>Other</b>	
Dwellings	30	Advertising equipment	5
Bus shelters	15	Furniture	7
<b>Electricity infrastructure</b>		Vehicles	
Transformers	50	Traffic equipment	7
		Speed /other equipment	5
Cables	45	Emergency/ Stove equipment	10
		Airconditioners	15
Lines overhead	30	Street lights	40
Feeder panel 11 kv	40	Machinery	4
Festive lights	10	Carpets	15
Roads		Fence	25
Asphalt paved	20	Double cabs/ Trailer/TLB	10
Asphalt surface	50	Motor vehicles	7
		Cemeteries parking	30
Unpaved	30	Cemeteries	15
Waste disposal	50		
		Computer hardware	5
Non residential buildings	30	Computer equipment	10
		Network	7

## 2.5 DERECOGNITION

Items of Property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

## 3 INTANGIBLE ASSETS

### 3.1 INITIAL RECOGNITION

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licences, and development costs. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the municipality has the resources to complete the project; and
- it is probable that the municipality will receive future economic benefits or service potential.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

### 3.2 SUBSEQUENT MEASUREMENT - COST MODEL

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

### 3.3 AMORTISATION AND IMPAIRMENT

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. The annual amortisation rates are based on the following estimated average asset lives:

Computer software	10 years
-------------------	----------

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

### **3.4 DERECOGNITION**

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

## **4 INVESTMENT PROPERTY**

### **4.1 INITIAL RECOGNITION**

Investment property includes property (land or a building, or part of a building, or both land or buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

The cost of self-constructed investment property is the cost at date of completion.

### **4.2 SUBSEQUENT MEASUREMENT - COST MODEL**

Investment property is measured using the cost model. Under the cost model, investment property is carried at cost less any accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated average asset lives:

## **5 BIOLOGICAL ASSETS**

### **5.1 INITIAL RECOGNITION**

A biological asset or agricultural produce is recognised when, and only when:

- the municipality controls the asset as a result of past events;
- it is probable that future economic benefits associated with the asset will flow to the municipality;
- and the fair value or cost of the asset can be measured reliably.

### **5.2 SUBSEQUENT MEASUREMENT**

Biological assets are measured at their fair value less estimated point-of-sale costs.

The fair value of the pine plantations is based on the combined fair value of the land and the pine trees. The fair value of the raw land and land improvements is then deducted from the combined fair value to determine the fair value of the pine trees.

A gain or loss arising on initial recognition of agricultural produce at fair value less estimated point-of-sale costs is included in profit or loss for the period in which it arises.

## **6 INVENTORIES**



## 6.1 INITIAL RECOGNITION

Inventories comprised of consumable stores, raw materials and finished goods. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus non refundable taxes, transport costs and any other costs in bringing the inventories to their current location and condition.

Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

## 6.2 SUBSEQUENT MEASUREMENT

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down in this way. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

*The basis of determining carrying value is the weighted-average method.*

### DERECOGNITION

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

## 7 HERITAGE ASSETS

### 7.1 INITIAL RECOGNITION

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or A heritage asset shall be recognised as an asset if, and only if:

- (a) it is probable that future economic benefits or service potential associated with the asset will flow to the
- (b) the cost or fair value of the asset can be measured reliably.

### 7.2 INITIAL MEASUREMENT

An asset that has met the recognition requirement criteria for heritage assets shall be measured at its cost if such an asset has been acquired through an exchange transaction.

Where a heritage asset has been acquired through a non-exchange transaction, its cost shall be measured at its fair value as at the date of acquisition.

### 7.3 SUBSEQUENT MEASUREMENT

Heritage assets are not depreciated

The class of heritage assets are carried at its cost less any accumulated impairment losses.

### 7.4 Transitional provision

The municipality changed its accounting policy for heritage assets in 2013. The change in accounting policy is made in accordance with its transitional provision as per directive 4 of the GRAP Reporting framework. According to the transitional provision, the municipality is not required to measure heritage assets for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard of GRAP on Heritage Assets

### GRAP ON HERITAGE ASSETS

Heritage assets have accordingly been recognised at provisional amounts, as disclosed. The transitional provision expires on 6/30 2015.

## 8 FINANCIAL INSTRUMENTS

### INITIAL RECOGNITION

The entity recognises a financial asset or a financial liability in its Statement of Financial Position when, and only when, the entity becomes a party to the contractual provisions of the instrument. This is achieved through the application of trade date accounting.

Upon initial recognition the entity classifies financial instruments or their component parts as a financial liabilities, financial assets or residual interests in conformity with the substance of the contractual arrangement and to the extent that the instrument satisfies the definitions of a financial liability, a financial asset or a residual interest.

### **8.1 INITIAL MEASUREMENT**

When a financial instrument is recognised, the entity measures it initially at its fair value plus, in the case of a financial asset or a financial liability not subsequently measured at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

### **8.2 SUBSEQUENT MEASUREMENT**

Subsequent to initial recognition, financial assets and financial liabilities are measured at fair value, amortised. All financial assets and financial liabilities are measured after initial recognition using the following categories:

### **8.3 INVESTMENTS AT AMORTISED COSTS**

Investments, which include [listed government bonds, unlisted municipal bonds, fixed deposits and short-term deposits invested in registered commercial banks] are categorised as financial instruments at amortised cost and are subsequently measured at amortised cost.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

### **8.4 TRADE AND OTHER RECEIVABLES**

Trade and other receivables are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition and subsequently stated at amortised cost, less provision for impairment. All trade and other receivables are assessed at least annually for possible impairment. Impairments of trade and other receivables are determined in accordance with the accounting policy for impairments. Impairment adjustments are made through the use of an allowance account.

Bad debts are written off in the year in which they are identified as irrecoverable. Amounts receivable within 12 months from the reporting date are classified as current. Interest is charged on overdue accounts.

#### **Receivables past due but not impaired**

Past due is debt that has not been paid as of its due date. A debtor who is past due is subject to penalties.

The municipality does not consider receivables that are past due as an impaired receivable if the municipality expects to collect all amounts due, including interest accrued, during the period the receivable is past due.

### **8.5 TRADE PAYABLES AND BORROWINGS**

Trade payables are initially measured at fair value plus transaction costs that are directly attributable to the acquisition and are subsequently measured at amortised cost using the effective interest rate method.

### **8.6 CASH AND CASH EQUIVALENTS**

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

### **8.7 IMPAIRMENT OF FINANCIAL ASSETS**

All financial assets measured at amortised cost, or cost, are subject to an impairment review. The entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

#### **8.8 IMPAIRMENT FOR FINANCIAL ASSETS HELD AT AMORTISED COST**

The entity first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant and individually or collectively for financial assets that are not individually significant. If the entity determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in the collective assessment of impairment.

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss shall be reversed either directly or by adjusting an allowance account. The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

#### **8.9 DERECOGNITION**

A financial asset is derecognised only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset;
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer.

A financial liability is derecognised when the obligation is extinguished. Exchanges of debt instruments between a borrower and a lender are treated as the extinguishment of an existing liability and the recognition of a new financial liability. Where the terms of an existing financial liability are modified, it is also treated as the extinguishment of an existing liability and the recognition of a new liability.

#### **9 UNAUTHORISED EXPENDITURE**

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

#### **10 IRREGULAR EXPENDITURE**

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

#### **11 FRUITLESS AND WASTEFUL EXPENDITURE**

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

## **12 PROVISIONS CONTINGENT LIABILITIES AND ASSETS**

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

The municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

## **13 LEASES**

### **MUNICIPALITY AS LESSEE**

#### **RECOGNITION**

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the entity through the lease agreement. Assets subject to finance leases are recognised in the Statement of Financial Position at the inception of the lease, as is the corresponding finance lease liability.

Assets subject to operating leases, i.e. those leases where substantially all of the risks and rewards of ownership are not transferred to the lessee through the lease, are not recognised in the Statement of Financial Position. The operating lease expense is recognised over the course of the lease arrangement.

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date; namely whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

#### **MEASUREMENT**

Assets subject to a finance lease, as recognised in the Statement of Financial Position, are measured (at initial recognition) at the lower of the fair value of the assets and the present value of the future minimum lease payments. Subsequent to initial recognition these capitalised assets are depreciated over the contract term.

The finance lease liability recognised at initial recognition is measured at the present value of the future minimum lease payments. Subsequent to initial recognition this liability is carried at amortised cost, with the lease payments being set off against the capital and accrued interest. The allocation of the lease payments between the capital and interest portion of the liability is effected through the application of the effective interest method.

The finance charges resulting from the finance lease are expensed, through the Statement of Financial Performance, as they accrue. The finance cost accrual is determined using the effective interest method.

The lease expense recognised for operating leases is charged to the Statement of Financial Performance on a straight-line basis over the term of the relevant lease. To the extent that the straight-lined lease payments differ from the actual lease payments the difference is recognised in the Statement of Financial Position as either lease payments in advance (operating lease asset) or lease payments payable (operating lease liability) as the case may be. This resulting asset and / or liability is measured as the undiscounted difference between the straight-line lease payments and the contractual lease payments.

#### **DERECOGNITION**

The finance lease liabilities are derecognised when the entity's obligation to settle the liability is extinguished. The assets capitalised under the finance lease are derecognised when the entity no longer expects any economic benefits or service potential to flow from the asset.

The operating lease liability is derecognised when the entity's obligation to settle the liability is extinguished. The operating lease asset is derecognised when the entity no longer anticipates economic benefits to flow from the asset.

## **MUNICIPALITY AS LESSOR**

### **RECOGNITION**

For those leases that meet the definition of a finance lease, where the entity is the lessor, the entity derecognises the asset subject to the lease at the inception of the lease. Along with the derecognition of the asset the entity recognises a finance lease receivable. Finance lease income is allocated to between the finance lease receivable and finance income using the effective interest rate method and the resulting finance income is recognised in the Statement of Financial Performance as it accrues.

For those leases classified as operating leases the asset subject to the lease is not derecognised and no lease receivable is recognised at the inception of the lease. Lease payments received under an operating lease are recognised as income, in the Statement of Financial Performance, in the period that the income accrues.

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date; namely, whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

### **MEASUREMENT**

Finance lease receivables are recognised at an amount equal to the entity's net investment in the lease. This net investment in the lease is calculated as the sum of the minimum future lease payments and unguaranteed residual value discounted over the lease term at the rate implicit in the lease.

Rental Income from operating leases is recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined lease payments and the contractual lease payments are recognised as either an operating lease asset or operating lease liability. An operating lease liability is raised to the extent that lease payments are received in advance (i.e. the straight-line lease payments are more than the contractual lease payments). The operating lease asset and / or operating lease liability are measured as the undiscounted difference between the straight-line lease receipts and the contractual lease receipts.

### **DERECOGNITION**

Finance lease receivables are derecognised when the entity's right to the underlying cash flows expire or when the entity no longer expects economic benefits to flow from the finance lease receivable.

Operating lease liabilities are derecognised when the entity's obligation to provide economic benefits or service potential under the lease agreement expires. Operating lease assets are derecognised when the entity's right to the underlying cash flows expire or the entity no longer expects economic benefits to flow from the operating lease asset.

## **14 REVENUE**

### **14.1 REVENUE FROM EXCHANGE TRANSACTIONS**

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Service charges relating to electricity are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made periodically when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. The estimates of consumption between meter readings are based on three months average.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse containers per property.

Interest revenue is recognised on a time proportion basis.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant approved tariff. This includes the issuing of licences and permits.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods is passed to the consumer.

Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

#### **14.2 REVENUE FROM NON-EXCHANGE TRANSACTIONS**

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis.

Traffic fines constitute both spot fines, camera fines and summonses. The municipality initially recognises the full amount of revenue from spot fines, camera fines and summonses at the transaction date (on the date the ticket is issued).

Subsequent to initial recognition and measurement, the municipality assess the collectability of the revenue from traffic fines and recognise an impairment loss where appropriate.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the municipality.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

#### **14.3 GRANTS, TRANSFERS AND DONATIONS**

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

### **15 RETIREMENT BENEFITS**

#### **SHORT TERM EMPLOYEE BENEFITS**

Short term employee benefits encompasses all those benefits that become payable in the short term, i.e. within a financial year or within 12 months after the financial year. Therefore, short term employee benefits include remuneration, compensated absences and bonuses.

Short term employee benefits are recognised in the Statement of Financial Performance as services are rendered, except for non-accumulating benefits, which are recognised when the specific event occurs. These short term employee benefits are measured at their undiscounted costs in the period the employee renders the related service or the specific event occurs.

## **15 POST-EMPLOYMENT BENEFITS**

The entity provides post-employment benefits for its officials. These benefits are provided as either defined contribution plans. The entity identifies as defined contribution plans any post-employment plan in terms of which it has no obligation to make further contributions to the plan over and above the monthly contributions payable on behalf of employees (for example in the event of a funding shortfall). Any other plans are considered to be defined benefit plans.

Contributions made towards the fund are recognised as an expense in the Statement of Financial Performance in the period that such contributions become payable. This contribution expense is measured at the undiscounted amount of the contribution paid or payable to the fund. A liability is recognised to the extent that any of the contributions have not yet been paid. Conversely an asset is recognised to the extent that any contributions have been paid in advance.

## **16 IMPAIRMENT OF ASSETS**

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also:

- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

The recoverable service amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An impairment loss is recognised for cash-generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

- to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

**Mthonjaneni Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 30 June 2014**

	Note	2014 R	2013 R
<b>2 CASH AND CASH EQUIVALENTS</b>			
Cash and cash equivalents consist of the following:			
Cash on hand		746	721
Cash at bank		3 108 897	-
short term investments maturing within 3 months		17 157 022	-
		<u>20 266 665</u>	<u>721</u>
The Municipality has the following bank accounts: -			
<b><u>Current Account (Primary Bank Account)</u></b>			
First National Bank-Melmoth Branch:Account Number: 54980006117			
Cash book balance at beginning of year		(1 057 604)	16 062 203
Cash book balance at end of year		<u>3 096 433</u>	<u>(1 057 604)</u>
Bank statement balance at beginning of year		4 123 580	16 198 592
Bank statement balance at end of year		<u>3 016 628</u>	<u>4 123 580</u>
<b><u>Current Account (Other Account)</u></b>			
First National Bank-Melmoth Branch:Account Number: 62330092470			
Cash book balance at beginning of year		3 000	-
Cash book balance at end of year		<u>12 465</u>	<u>-</u>
Bank statement balance at beginning of year		3 000	7 230
Bank statement balance at end of year		<u>12 465</u>	<u>3 000</u>
<b><u>Call account</u></b>			
Investec Bank - Pvt Bank Retail Trsy Branch:Account Number: 50006298496			
Cash book balance at beginning of year		-	-
Cash book balance at end of year		<u>6 033 396</u>	<u>-</u>
Bank statement balance at beginning of year		-	-
Bank statement balance at end of year		<u>6 033 396</u>	<u>-</u>
<b><u>Fixed Deposit Account</u></b>			
First National Bank - Melmoth:Account Number: 71245040078			
Cash book balance at beginning of year		-	-
Cash book balance at end of year		<u>1 540 000</u>	<u>-</u>
Bank statement balance at beginning of year		-	-
Bank statement balance at end of year		<u>1 540 000</u>	<u>-</u>
<b><u>Fixed Deposit Account</u></b>			
NedBank-Domestic Treasury:Account Number:03/7881083174/000011			
Cash book balance at beginning of year		-	-
Cash book balance at end of year		<u>9 083 626</u>	<u>-</u>



**Mthonjaneni Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 30 June 2014**

	Note	2014 R	2013 R
Bank statement balance at beginning of year		-	-
Bank statement balance at end of year		9 083 626	-
<b><u>Call Account</u></b>			
First National Bank-Melmoth Branch:Account Number: 62051262146			
Cash book balance at beginning of year		-	-
Cash book balance at end of year		500 000	-
Bank statement balance at beginning of year		-	-
Bank statement balance at end of year		500 000	-
<b>Cash on hand</b>		<b>746</b>	<b>721</b>
Total cash and cash equivalents		20 266 665	4 127 301
Total bank overdraft		-	(1 057 624)

**Mthonjaneni Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2014

	Notes	2014 R	2013 R
	Gross Balances R	Provision for Doubtful Debts R	Net Balance R
<b>3 TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS</b>			
<u>Trade receivables</u>			
as at 30 June 2014			
Service debtors			
Electricity	2 452 613	38 149	2 414 464
Refuse	432 754	11 247	421 508
<b>Total</b>	<b>2 885 367</b>	<b>49 396</b>	<b>2 835 972</b>
<b>Total Trade and other receivables</b>			
as at 30 June 2013			
Service debtors			
Electricity	2 197 009	72 675	2 124 334
Refuse	452 412	51 155	401 257
<b>Total</b>	<b>2 649 421</b>	<b>123 830</b>	<b>2 525 591</b>
<b>Total Trade and other receivables</b>	<b>2 649 421</b>	<b>123 830</b>	<b>2 525 591</b>
<u>Refuse: Ageing</u>			
Current (0 – 30 days)		151 623	98 387
31 – 60 Days		15 211	98 482
61 – 90 Days		10 722	33 041
91 – 120 Days		10 166	31 477
121 – 365 Days		245 032	191 025
+ 365 Days			
<b>Total</b>		<b>432 754</b>	<b>452 412</b>
<u>Electricity: Ageing</u>			
Current (0 – 30 days)		1 794 264	1 190 260
31 – 60 Days		27 771	636 544
61 – 90 Days		15 525	41 090
91 – 120 Days		17 283	16 463
121 – 365 Days		577 042	312 652
+ 365 Days			
<b>Total</b>		<b>2 431 886</b>	<b>2 197 009</b>
<u>Summary of Debtors by Customer Classification</u>			
	Consumers	Industrial / Commercial	National and Provincial Government
	R	R	R
as at 30 June 2014			
Current (0 – 30 days)	1132321	334 440	121 076
31 – 60 Days	193 053	18 277	106 636
61 – 90 Days	112797	17 350	16 598
91 – 120 Days	105 567	16 391	12 232
121 – 365 Days	3 056 727	614 671	498 708
+ 365 Days			
Sub-total	<b>4 600 465</b>		
Less: Provision for doubtful debts	(255 113)		
<b>Total debtors by customer classification</b>	<b>4 345 352</b>	<b>1 001 129</b>	<b>755 250</b>
as at 30 June 2013			
Current (0 – 30 days)	1 623 508	180 001	65 296
31 – 60 Days	883 449	12 785	77 395
61 – 90 Days	153 616	35 497	15 275
91 – 120 Days	120 019	17 300	67 610
121 – 365 Days	1 402 766	557 335	108 186
+ 365 Days			
Sub-total	<b>4 183 359</b>	<b>802 918</b>	<b>333 764</b>
Less: Provision for doubtful debts	(761 078)		

**Mthonjaneni Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2014

	Note	2014 R	2013 R
<b>Total debtors by customer classification</b>		<b>3 422 281</b>	<b>333 764</b>
<b>Reconciliation of the doubtful debt provision</b>			
Balance at beginning of the year		761 078	678 227
Contributions to provision			82 851
Doubtful debts written off against provision			-
Reversal of provision		(505 985)	-
<b>Balance at end of year</b>		<b>255 113</b>	<b>761 078</b>
<b>4 Impairment loss</b>			
Biological Assets		1 599 400	-
Buildings		168 254	-
		<b>1 767 654</b>	<b>-</b>
<b>5 OTHER RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS</b>			
Insurance claims		-	346 316
Rates and other taxes		3 286 486	2 021 180
Subsidies- Clinic and other			
Accrued interest			
Value added tax		793 013	2 945 056
Debtors Traffic fines		4 790 703	8 907 746
<b>Total Other Debtors</b>		<b>8 870 201</b>	<b>14 220 298</b>
<b>Less: Transfer to Non Current Assets held for sale</b>			
<b>Total Other Debtors</b>		<b>8 870 201</b>	<b>14 220 298</b>
<b>Rates: Ageing</b>			
Current (0- 30 days)		990	2 949
31 - 60 Days		240 596	175 305
61 - 90 Days		120 498	124 559
91 - 120 Days		106 741	163 240
+ 180 Days		3 023 378	1 555 127
Provision for bad debts		-205717.4	
<b>Total</b>		<b>3 286 486</b>	<b>2 021 180</b>
<b>6 INVENTORIES</b>			
<b>Opening balance of Inventories:</b>		<b>408 406</b>	<b>251 806</b>
Consumable stores		168 957	79 513
Maintenance materials		239 449	172 293
<b>Additions:</b>		<b>1 727 815</b>	<b>1 495 697</b>
Consumable stores		1 298 677	1 115 287
Maintenance materials		429 138	380 409
<b>Issued (expensed):</b>		<b>1 515 608</b>	<b>1 339 096</b>
Consumable stores		1 315 791	1 025 843
Stock deficiency		796	
Maintenance materials		199 022	313 253

**Mthonjaneni Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2014

	Note	2014 R	2013 R
<b>Closing balance of Inventories:</b>		<b>620 814</b>	<b>408 406</b>
Consumable stores		151 048	168 957
Maintenance materials		469 566	239 449

**7 INVESTMENTS**

Deposits	25 870 397	66 540 000
Call investments	-	500 000
	<b>25 870 397</b>	<b>67 040 000</b>
Investec	-	31 000 000
FNB	-	2 040 000
ABSA	-	9 000 000
Nedbank	25 870 397	25 000 000
	<b>25 870 397</b>	<b>67 040 000</b>

**Mthonjaneni Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2014

**8 PROPERTY, PLANT AND EQUIPMENT**

**8.1 Reconciliation of Carrying Value**

	Land R	Buildings R	Infrastructure R	Other Assets R	Assets under Construction R	Total R
<b>as at 1 July 2013</b>	<b>2 562 011</b>	<b>20 456 135</b>	<b>21 796 933</b>	<b>4 563 763</b>	<b>67 920 690</b>	<b>117 299 531</b>
Cost/Revaluation	2 562 011	27 208 984	26 587 604	8 858 284	67 920 690	133 137 573
Accumulated depreciation and impairment losses	-	(6 752 849)	(4 790 671)	(4 294 521)	-	(15 838 042)
<b>Acquisitions</b>	-	-	-	-	-	-
Capital under Construction	-	15 346 091	45 625 756	3 612 685	-	64 584 532
Depreciation	-	(979 682)	(867 709)	(1 163 397)	24 909 992	24 909 992
Impairment loss	-	(168 254)	-	-	-	(3 010 787)
<b>Disposals</b>	-	-	-	-	-	-
Carrying value of disposals	-	-	-	(75 752)	-	(75 752)
Cost/Revaluation	-	(226 383)	(89 252)	(1 322 630)	-	(1 638 265)
Accumulated depreciation and impairment losses	-	226 383	89 252	1 246 878	-	1 562 513
<b>Impairment loss/Reversal of impairment loss</b>	-	-	-	-	-	-
Transfers	-	-	-	-	-	-
Transfers form WIP	-	-	-	-	(59 679 166)	(59 679 166)
<b>as at 30 June 2014</b>	<b>2 562 011</b>	<b>34 654 290</b>	<b>66 554 980</b>	<b>6 937 299</b>	<b>33 151 516</b>	<b>143 860 096</b>
Cost/Revaluation	2 562 011	42 328 692	72 124 108	11 148 340	33 151 516	161 314 667
Accumulated depreciation and impairment losses	-	(7 674 401)	(5 569 129)	(4 211 041)	-	(17 454 571)

**Mthonjaneni Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2013

**8.2 Reconciliation of Carrying Value**

	Land	Buildings	Infrastructure	Other Assets	Assets under Construction	Total
	R	R	R	R	R	R
<b>as at 1 July 2012</b>	<b>2 562 011</b>	<b>19 970 262</b>	<b>22 189 608</b>	<b>3 970 047</b>	<b>39 662 082</b>	<b>88 344 209</b>
Cost/Revaluation	2 339 215	25 913 502	27 154 061	11 148 830	39 662 082	106 207 690
Correction of error	222 796	(78 255)	(808 647)	(4 486 229)		(5 150 335)
Correction of error- depreciation		37 293	227 034	3 873 281		4 137 608
Accumulated depreciation and Impairment losses		(5 902 278)	(4 382 840)	(6 565 835)		(16 850 754)
<b>Acquisitions</b>						
Capital under Construction	-	1 373 736	242 190	2 612 611		4 228 538
Depreciation	-	(887 864)	(634 865)	(1 614 341)	28 268 608	28 268 608
Transfers	-			(404 499)		(3 137 070)
Disposals	-					(404 499)
<b>Carrying value of disposals</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>257</b>	<b>-</b>	<b>257</b>
Cost/Revaluation	-	-	-	3 947	-	3 947
Accumulated depreciation and impairment losses	-	-	-	(3 691)	-	(3 691)
<b>Impairment loss/Reversal of impairment loss</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Transfers	-	-	-	-	-	-
Other movements	-	-	-	-	-	-
<b>as at 30 June 2013</b>	<b>2 562 011</b>	<b>20 456 135</b>	<b>21 796 933</b>	<b>4 563 762</b>	<b>67 920 690</b>	<b>117 299 531</b>
Cost/Revaluation	2 562 011	27 208 984	26 587 604	8 858 284	67 920 690	133 137 573
Accumulated depreciation and impairment losses	-	(6 752 849)	(4 790 671)	(4 294 521)		(15 838 042)

**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2014

**9 INTANGIBLE ASSETS**

**9.1 Reconciliation of carrying value**

**as at 1 July 2013**

Cost	
Correction of error	
Accumulated amortisation and impairment losses	

Acquisitions	
Amortisation	

**As at 30 June 2014**

Cost	
Accumulated amortisation and impairment losses	

Note  
Total  
R

Computer Software R	Total R
40 754	40 754
101 968	101 968
(30 034)	(30 034)
(31 180)	(31 180)
139 610	139 610
(21 219)	(21 219)
159 145	159 145
211 544	211 544
(52 399)	(52 399)

**9.2 Reconciliation of carrying value**

**as at 1 July 2012**

Cost	
Accumulated amortisation and impairment losses	

Acquisitions	
Amortisation	

Correction of an error	
Correction of an error- depreciation	

**as at 30 June 2013**

Cost	
Accumulated amortisation and impairment losses	
Correction of error	

Computer Software R	Total R
67 934	67 934
78 056	78 056
(10 122)	(10 122)
23 912	23 912
(21 058)	(21 058)
(30 034)	(30 034)
(34 857)	(34 857)
4 822	4 822
40 754	40 754
101 968	101 968
(31 180)	(31 180)
(30 034)	(30 034)

**10 INVESTMENT PROPERTY**

**10.1 Reconciliation of carrying value**

**as at 1 July 2013**

Cost	
Accumulated depreciation and impairment losses	

Acquisitions	
Depreciation	

**as at 30 June 2014**

Cost	
Accumulated depreciation and impairment losses	

Investment  
property  
R  
Total  
R

2 490 079	2 490 079
2 742 760	2 742 760
(252 681)	(252 681)
(40 829)	(40 829)
2 449 250	2 449 250
2 742 760	2 742 760
(293 510)	(283 303)

**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2014

**10.2 Reconciliation of carrying value**

**as at 1 July 2012**

Cost  
Correction of error  
Accumulated depreciation and impairment losses

Note	Total R
Investment property R	Total R
<b>2 530 908</b>	<b>2 530 908</b>
2 768 537	2 768 537
(17 294)	(17 294)
(220 335)	(220 335)

Depreciation

(40 829) (40 829)

**as at 30 June 2013**

Cost  
Accumulated depreciation and impairment losses

<b>2 490 079</b>	<b>2 490 079</b>
2 742 760	2 742 760
(252 681)	(252 681)

**11 BIOLOGICAL ASSETS**

**11.1 Reconciliation of Carrying Value**

**as at 1 July 2013**

Cost/Revaluation  
Accumulated depreciation and impairment losses

<b>5 136 310</b>	<b>5 136 310</b>
5 136 310	5 136 310

Impairment loss/Reversal of impairment loss  
Fair value adjustment

(1 599 400) (1 599 400)  
434 108 434 108

**as at 30 June 2014**

Cost/Revaluation  
Accumulated depreciation and impairment losses

<b>3 971 018</b>	<b>3 971 018</b>
3 971 018	3 971 018

**Biological Assets** **Total**  
**R** **R**

**11.2 Reconciliation of Carrying Value**

**as at 1 July 2012**

Cost/Revaluation  
Accumulated depreciation and impairment losses

<b>5 136 310</b>	<b>5 136 310</b>
5 136 310	5 136 310

**as at 30 June 2013**

Cost/Revaluation  
Accumulated depreciation and impairment losses

<b>5 136 310</b>	<b>5 136 310</b>
5 136 310	5 136 310

Biological assets have been reclassified from Property Plant and equipment to Biological Assets. The effect of the reclassification is summarised below:

**Statement of Financial Position**

Property Plant and Equipment  
Biological Assets

(5 136 310)  
5 136 310



**Mthonjaneni Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2014

**12 HERITAGE ASSETS**

**12.1 Reconciliation of Carrying Value**

	Historical Buildings R	Total R
<b>as at 1 July 2013</b>	<b>589</b>	<b>589</b>
Cost/Valuation	589	589
Accumulated depreciation and impairment losses	-	-
 <b>as at 30 June 2014</b>	 <b>589</b>	 <b>589</b>
Cost/Valuation	589	589
Accumulated depreciation and impairment losses	-	-

**12.2 Reconciliation of Carrying Value**

	Trees in plantation R	Total R
<b>as at 1 July 2012</b>	<b>589</b>	<b>589</b>
Cost/Valuation	589	589
 <b>as at 30 June 2013</b>	 <b>589</b>	 <b>589</b>
Cost/Valuation	589	589
Accumulated depreciation and impairment losses	-	-

**Transitional provision**

The municipality changed its accounting policy for heritage assets in 2013. The change in accounting policy is made in accordance with its transitional provision as per directive 4 of the GRAP Reporting framework. According to the transitional provision, the municipality is not required to measure heritage assets for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard of GRAP on Heritage Assets

**GRAP on Heritage assets**

Heritage assets have accordingly been recognised at provisional amounts, as disclosed. The transitional provision expires on 6/30 2015.

**Mthonjaneni Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2014

	Note	2014 R	2013 R
<b>13 TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS</b>			
Trade creditors		608 686	2 368 176
Payments received in advance		228 063	130 005
Retentions		884 393	
Staff leave accrual		1 347 336	379 446
Accrued interest			
Other creditors		641 995	-
<b>Total creditors</b>		<b>3 710 472</b>	<b>2 877 627</b>

**14 CONSUMER DEPOSITS**

Electricity	684 570	676 070
Other	331 656	326 170
Accrued interest	-	-
<b>Total consumer deposits</b>	<b>1 016 226</b>	<b>1 002 240</b>

**15 PROVISIONS**

Performance bonus	345 937	-
<b>Total Provisions</b>	<b>345 937</b>	<b>-</b>

Provision for leave have been reclassified as staff leave accrual under trade and other payables from exchange transaction. The effect of the reclassification on the comparative figures is summarised below:

**Statement of Financial Position**

Current Provisions	(379 446)
Trade and other payables from exchange transaction (Accrual - leave)	379 446
<b>Accumulated surplus</b>	<b>-</b>

The movement in current provisions are reconciled as follows: -

<b>as at 1 July 2013</b>	<b>Performance Bonus</b>
Contributions to provision	-
Expenditure incurred	345 937
<b>as at 31 June 2014</b>	<b>345 937</b>

**16 UNSPENT CONDITIONAL GRANTS AND RECEIPTS**

**16.1 Unspent Conditional Grants from other spheres of Government**

Electrification	-	5 263 099
Market Stalls	-	2 174 863
Library	-	
Sport	-	28 999
Capacity	-	
Municipal Infrastructure Grant	-	4 035 324
EPWP	-	139 247
Small town rehabilitation	-	1 884 920
MSIG	-	
FMG	-	
Electrification	-	
<b>Total Unspent Conditional Grants and Receipts</b>	<b>-</b>	<b>13 526 452</b>

**Mthonjaneni Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2014

Note

	2014 R	2013 R
<b>Reconciliation of conditional contributions</b>		
Balance unspent at beginning of year	13 528 452	14 849 618
Current year receipts	16 730 656	37 884 614
Conditions met - transferred to revenue	(30 257 108)	(39 207 780)
<b>Conditions still to be met - remain liabilities</b>	<b>-</b>	<b>13 528 452</b>

**17 NON-CURRENT PROVISIONS**

Provision for rehabilitation of landfill site	4 615 810	3 449 040
<b>Total Non- Current Provisions</b>	<b>4 615 810</b>	<b>3 449 040</b>

Provision for rehabilitation of landfill sites:

Balance at the beginning of year	3 449 040	931 920
Contributions to provision	1 166 770	2 517 120
<b>Balance at the end of year</b>	<b>4 615 810</b>	<b>3 449 040</b>

The Municipality have a landfill site and has to provide for the rehabilitation of the site. The independent Valuer AURECON carried out valuation provision as at 30 June 2014.

**Details of project team**

**Mannie Neeraj** : Waste Management  
: Masters of Science in plant pathology  
: Technical Director/ Environmental Specialist  
: 18 year of work experience

**Bowers, Aiden James** : Civic Engineering Design and Waste Management  
: Masters of Science in plant pathology  
: Technical Director/ Civil Engineer  
: 14 year of work experience

**18 PROPERTY RATES**

**Actual**

Residential	2 174 955	2 125 585
Commercial	2 703 456	2 827 808
Light Industries	1 069 650	1 062 792
Heavy Industries	304 503	360 570
State	725 967	708 528
<b>Total property rates</b>	<b>6 978 531</b>	<b>7 085 283</b>
Property rates - penalties imposed and collection charges	527 353	336 508
<b>Total</b>	<b>7 505 885</b>	<b>7 421 791</b>

**Valuations**

Residential	193 485 900	190 557 700
Commercial	148 403 300	142 180 000
Farm	253 718 400	251 001 000
State	95 484 600	96 939 400
Municipal	9 719 800	9 719 800
Other properties	1 126 962 500	1 132 872 100
<b>Total Property Valuations</b>	<b>1 827 774 500</b>	<b>1 823 270 000</b>

Valuations on land and buildings are performed every four years. The last valuation came into effect on 1 July 2010. Interim valuations are processed on a quarterly basis to take into account changes in individual property values due to alterations.

A general rate of 1.24C/R is applied to property valuations to determine assessment rates. Rebates of 20% are granted to residential and state property owners. Rates are levied on an annual basis on property owners.

**19 SERVICE CHARGES**

Sale of electricity	17 986 905	16 695 846
Refuse removal	1 131 632	1 078 989
<b>Total Service Charges</b>	<b>19 118 537</b>	<b>17 774 835</b>

**20 RENTAL OF FACILITIES AND EQUIPMENT**

Rental of facilities	244 721	471 642
Rental of equipment	-	-
Other rentals	-	26 514
<b>Total rentals</b>	<b>244 721</b>	<b>498 156</b>

**Mthonjaneni Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2014

	Note	2014 R	2013 R
<b>21 INTEREST EARNED - EXTERNAL INVESTMENTS</b>			
Bank		4 209 775	3 409 693
<b>Total interest</b>		<b>4 209 775</b>	<b>3 409 693</b>
<b>22 FINES</b>			
Traffic fines		15 831 145	2 461 971
Library fines		17	
		<b>15 831 162</b>	<b>2 461 971</b>
<b>23 GOVERNMENT GRANTS AND SUBSIDIES</b>			
Equitable Share		17 035 000	25 107 000
Finance Management Grant		1 650 000	1 500 000
Municipal Systems Improvement Grant		890 000	800 000
Electrification/ INEP		5 263 099	11 431 829
Municipal Infrastructure Grant		16 522 324	9 017 676
Market Stalls		2 174 863	3 213 704
Small Town Rehabilitation		1 884 920	10 715 080
EPWP		1 139 247	860 753
Library		634 000	393 493
Sport		28 999	-
Capacity		-	34 665
Public Transport: Uthungulu		-	207 385
Equitable Share: Uthungulu		69 656	49 402
Clinic		-	29 561
Tourism and information		-	-
<b>Total Government Grant and Subsidies</b>		<b>47 292 108</b>	<b>63 360 549</b>
<b>23.1 Equitable Share</b>			
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.		17 035 000	25 107 000
<b>23.2 MIG Grant</b>			
Balance unspent at beginning of year		4 035 324	-
Current year receipts		12 487 000	13 055 000
Conditions met - transferred to revenue		(16 522 324)	(9 019 676)
<b>Conditions still to be met - remain liabilities</b>		<b>-</b>	<b>4 035 324</b>
<b>INEP Grant</b>			
Balance unspent at beginning of year		5 263 099	10 694 928
Current year receipts		-	6 000 000
Conditions met - transferred to revenue		(5 263 099)	(736 901)
Reverted back to National Treasury		-	(10 694 928)
<b>Conditions still to be met - remain liabilities</b>		<b>-</b>	<b>5 263 099</b>
<b>23.4 Finance Management Grant</b>			
Balance unspent at beginning of year		-	-
Current year receipts		1 650 000	1 500 187
Conditions met - transferred to revenue		(1 650 000)	(1 500 187)
<b>Conditions still to be met - remain liabilities</b>		<b>-</b>	<b>-</b>
<b>23.5 Municipal Systems Intergration Grant</b>			
Balance unspent at beginning of year		-	-
Current year receipts		890 000	800 231
Conditions met - transferred to revenue		(890 000)	(800 231)
<b>Conditions still to be met - remain liabilities</b>		<b>-</b>	<b>-</b>
<b>23.6 EPWP-Grant</b>			
Balance unspent at beginning of year		139 247	-
Current year receipts		1 000 000	1 000 000
Conditions met - transferred to revenue		(1 139 247)	(860 753)
<b>Conditions still to be met - remain liabilities</b>		<b>-</b>	<b>139 247</b>
<b>23.7 Library -Grant</b>			
Balance unspent at beginning of year		-	42 693
Current year receipts		634 000	364 519
Conditions met - transferred to revenue		(634 000)	(407 212)

**Mthonjaneni Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2014

	Note	2014 R	2013 R
Conditions still to be met - remain liabilities		-	-
<b>23.8 Sport and Recreation-Grant</b>			
Balance unspent at beginning of year		28 999	63 664
Current year receipts		-	-
Conditions met - transferred to revenue		(28 999)	(34 665)
Conditions still to be met - remain liabilities		-	28 999
<b>23.9 Small Town Rehabilitation</b>			
Balance unspent at beginning of year		1 884 920	-
Current year receipts		-	12 600 000
Conditions met - transferred to revenue		(1 884 920)	(10 715 080)
Conditions still to be met - remain liabilities		-	1 884 920
<b>23.10 Ndundulu Stalls- Grant</b>			
Balance unspent at beginning of year		2 174 863	3 998 931
Current year receipts		-	2 444 548
Conditions met - transferred to revenue		(2 174 863)	(4 268 616)
Conditions still to be met - remain liabilities		-	2 174 863
<b>23 Thungulu grant</b>			
Balance unspent at beginning of year		-	49 402
Current year receipts		69 656	120 129
Conditions met - transferred to revenue		(69 656)	(169 531)
Conditions still to be met - remain liabilities		-	-
<b>24 OTHER INCOME</b>		1 463 380	427 866
building plan fees		11 963	32 016
cemeteries		8 795	10 561
business licences		2 105	2 281
hoardings		39 737	42 623
library fines		-	974
photocopying		31 938	26 518
rates clearance certificates		2 920	2 167
Rezoning		-	8 772
subdivisions		8 883	-
sundry income		916 500	295 857
swimming pool		5 477	5 597
valuation certificates		354	500
Fair value adjustment Biological assets		434 108	-
Tourism and information		600	-
<b>Total Other Income</b>		1 463 380	427 866
<b>EMPLOYEE RELATED COSTS</b>			
Employee related costs - Salaries and Wages		14 479 497	12 952 284
Employee related costs - Contributions for UIF, pensions and medical aids		2 430 538	1 863 377
Travel, motor car, accommodation, subsistence and other allowances		1 237 885	166 272
Housing benefits and allowances		417 104	-
Overtime payments		848 249	-
Performance and other bonuses		-	274 254
Long-service awards		59 799	31 955
Other employee related costs contributions for SDL and SALGA		176 360	-
Post retirement medical benefits		-	(180 419)
<b>Employee Related Costs</b>		19 649 413	15 107 723
Less: transferred to discontinued operations		-	-
		19 649 413	15 107 723
There were no advances to employees			
<b>Remuneration of the Municipal Manager</b>			
Performance- and other bonuses		723 923	633 125
Travel, motor car, accommodation, subsistence and other allowances		-	98 150
Contributions to UIF, Medical and Pension Funds		162 000	113 520
Total		10 380	11 834
		896 303	856 629
<b>Remuneration of the Director Technical</b>			
Annual Remuneration		631 593	-
Performance- and other bonuses		-	-
Travel, motor car, accommodation, subsistence and other allowances		156 000	-
Contributions to UIF, Medical and Pension Funds		9 348	-
Total		796 940	-

**Mthonjaneni Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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	2014	2013
	R	R
<b>Remuneration of the Chief Finance Officer</b>		
Annual Remuneration	622 501	452 186
Performance- and other bonuses	-	88 052
Travel, motor car, accommodation, subsistence and other allowances	165 000	106 000
Contributions to UIF, Medical and Pension Funds	9 437	8 201
<b>Total</b>	<b>796 937</b>	<b>654 439</b>
<b>Remuneration of Corporate and Community Services</b>		
		R
<b>2014</b>		
Annual Remuneration	630 088	463 186
Performance- and other bonuses	-	88 052
Travel, motor car, accommodation, subsistence and other allowances	157 505	95 000
Contributions to UIF, Medical and Pension Funds	9 345	8 987
<b>Total</b>	<b>796 937</b>	<b>655 225</b>
<b>26 REMUNERATION OF COUNCILLORS</b>		
<b>Mayor</b>	<b>328 296</b>	<b>310 737</b>
Deputy Mayor	278 778	261 686
Speaker	278 778	261 686
Executive Committee Members	243 584	243 830
Councillors	1 185 344	1 091 265
Councillors' pension and medical aid contributions	285 503	266 191
MPAC Chairperson	242 912	231 001
<b>Total Councillors' Remuneration</b>	<b>2 843 195</b>	<b>2 666 396</b>
<b>Mayor</b>		
Salary	213 606	207 599
Travel	87 289	84 325
Cell	20 868	12 396
Data	3 600	3 600
med Aid	-	-
Pension	-	-
Skills	2 953	2 817
	<b>328 296</b>	<b>310 737</b>
<b>Deputy Mayor</b>		
Salary	182 126	175 983
Travel	69 815	67 460
Cell	20 868	12 396
Data	3 600	3 600
med Aid	-	-
Pension	-	-
Skills	2 369	2 247
	<b>278 778</b>	<b>261 686</b>
<b>Speaker</b>		
Salary	182 126	175 983
Travel	69 815	67 460
Cell	20 868	12 396
Data	3 600	3 600
med Aid	-	-
Pension	-	-
Skills	2 369	2 247
	<b>278 778</b>	<b>261 686</b>
<b>Executive Committee Members</b>		
Salary	151 426	162 479
Travel	65 452	63 244
Cell	20 868	12 396
Data	3 600	3 600
med Aid	-	-
Pension	-	-
Skills	2 238	2 111
	<b>243 584</b>	<b>243 830</b>
<b>MPAC Chairperson</b>		
Salary	156 429	153 984
Travel	59 964	59 027
Cell	20 868	12 396
Data	3 600	3 600
med Aid	-	-
Pension	-	-
Skills	2 051	1 994

**Mthonjaneni Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2014

	Note	2014 R	2013 R
		<b>242 912</b>	<b>231 001</b>
<b>In-kind Benefits</b>			
The Mayor, Deputy Mayor, Speaker and Committee Members are part-time. They are provided with an office and secretarial support at the cost of the Council.			
The Mayor has use of the Council owned vehicle for official duties. The Mayor and the Speaker has 01 full-time bodyguard and 01 driver respectively.			
<b>27 DEPRECIATION AND AMORTISATION EXPENSE</b>			
Ref.			
8 Property, plant and equipment		(3 010 787)	(3 173 618)
9 Intangible assets		(21 219)	(21 058)
10 Investment property carried at cost		(40 829)	(4 282)
<b>Total Depreciation and Amortisation</b>		<b>(3 072 835)</b>	<b>(3 198 958)</b>
<b>28 BULK PURCHASES</b>			
Electricity plus free basic electricity		16 887 374	14 295 429
<b>Total Bulk Purchases</b>		<b>16 887 374</b>	<b>14 295 429</b>
<b>29 CONTRACTED SERVICES</b>			
Contracted services for:			
Rural Metro		1 746 896	1 465 451
Traffic Management Technology		2 294 046	1 738 890
		<b>4 040 941</b>	<b>3 204 341</b>
<b>30 GENERAL EXPENSES</b>			
Included in general expenses are the following:-			
Advertising		238 745	262 321
Admin fees		-	1 045 321
Audit fees		1 274 703	900 000
Sundries		316 983	
Bank charges		143 416	138 092
Bursaries		80 000	13 936
Cleaning / chemicals		267 760	107 199
Conferences and travelling		388 616	567 138
Connection charges		-	-
Ward committees		379 052	
Refuse bags		541 350	
Stores and materials		190 368	
Consulting fees		-	29 640
Public participation		370 378	
Staff wellness		89 766	
Pauper burials		148 215	
Contract labour		1 342 267	810 693
Cultural / Sports activities		251 383	240 135
Debt collection commission		-	-
Departmental consumption & Free basic electricity		-	309 574
Disaster management		141 192	17 671
Indigent support		28 553	1 500 000
Fuel and oil		423 037	491 645
Insurance		198 263	229 181
Legal expenses		116 573	29 828
Levies paid		-	2 802
Licence fees - vehicles		-	11 300
Job evaluation licence		-	
Licence fees - computers		-	126 924
Membership fees		-	45 870
Food for waste		473 385	
Parking		-	-
Postage and telephone		623 275	586 593
Printing and stationery		300 581	310 505
Professional fees		-	176 400
LED projects / ward projects		18 580	
Rental of office equipment		-	14 781
Other rentals		-	30 096
Tourism		38 622	
Security costs		978 052	724 399
Skills development levies		-	781 449
Financial management		1 326 742	
Youth activities / other		132 809	
Grant: Sport and recreation		21 003	11 432
Stocks and material		-	308 107

**Mthonjaneni Municipality**  
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Note	2014 R	2013 R
Subscription & publication	571 977	460 468
Training	-	329 060
Transport claims	189 969	61 056
Travel and subsistence	236 380	91 552
Uniforms & overalls	208 066	318 017
Valuation costs	-	187 053
Water and Sanitation	-	351 990
Minor assets	758 638	8 644 573
Small town rehabilitation	1 186 153	-
Library expenses	632 041	-
Systems	854 091	-
Staff development	51 255	-
EPWP	1 118 396	-
Inspection fees	3 152	-
Work mens compensation	103 341	-
Grant in aid	39 900	-
Wards projects	44 880	-
Informal traders	100	-
Contribution to provisions	18 996 507	2 819 027
Awareness and campaigns	40 023	-
	<b>35 859 540</b>	<b>22 886 028</b>

Less: Transferred to discontinued operations

**35 859 540      22 886 028**

Adjustment to leave pay provision, adjustment to landfill site rehabilitation provision and Allowance for impairments have been reclassified as general expenditure. The effect of the reclassification on the comparative figures is summarised below:

**Statement of Financial Performance**

General expenditure	2 819 028
Adjustments to leave pay provisions	(19 056)
Adjustments to landfill site rehabilitation provisions	(2 517 120)
Allowance for debtors impairments	(82 651)
<b>Accumulated surplus</b>	<b>-</b>

**31 GAIN / (LOSS) ON SALE OF ASSETS**

Property, plant and equipment	43 396	(257)
<b>Total Gain / (Loss) on Sale of Assets</b>	<b>43 396</b>	<b>(257)</b>

**CASH GENERATED BY OPERATIONS**

Surplus/(deficit) for the year	11 967 349	34 540 498
Adjustment for:-		
Depreciation and amortisation	3 072 835	3 198 958
(Gain) / loss on sale of assets	(43 396)	257
Contribution to retirement benefit obligation	(68 000)	(233 851)
Contribution to long service awards liability	52 000	10 608
Contribution to provisions - current	17 194 778	935 855
Investment income	-	(3 409 693)
Finance costs	-	-
Fair value adjustments	(434 108)	-
Impairment loss / (reversal of impairment loss)	1 767 654	-

Other non-cash item

**Operating surplus before working capital changes:** **33 509 112      35 042 632**

(Increase)/decrease in inventories	(212 208)	(156 601)
(Increase)/decrease in trade receivables	(310 381)	(953 297)
(Increase)/decrease in other receivables	(12 630 774)	(980 975)
(Increase)/decrease in VAT receivable	-	-
Increase/(decrease) in conditional grants and receipts	(13 526 452)	13 662 136
Increase/(decrease) in trade payables	(135 115)	(55 653)
Increase/(decrease) in consumer deposits	-	203 020
Increase/ (decrease) in long term liabilities	-	-
Increase/ (decrease) in provisions	2 134 660	(8 353)
<b>Cash generated by/(utilised in) operations</b>	<b>8 828 841</b>	<b>46 754 909</b>



**Mthonjaneni Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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	Note	2014 R	2013 R
<b>33 CASH AND CASH EQUIVALENTS</b>			
Cash and cash equivalents included in the cash flow statement comprise the following:			
Bank balances and cash		20 266 665	721
Call investment deposits		25 870 397	67 040 000
<b>Net cash and cash equivalents</b>		<b>46 137 063</b>	<b>67 040 721</b>
<b>34 Repairs and maintenance</b>			
Buildings		547 170	547 587
Computers		40 438	32 597
Equipment		327 349	395 785
Roads and sidewalks		399 903	284 516
Refuse site		307 782	400 000
Vehicles		455 091	531 508
Rural grass cutting		37 160	-
		<b>2 114 893</b>	<b>2 191 992</b>
<b>UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE</b>			
<b>35 DISALLOWED</b>			
<b>35.1 Unauthorised expenditure</b>			
Reconciliation of unauthorised expenditure			
Opening balance		638 890	-
Unauthorised expenditure current year		19 564 161	638 890
Approved by Council or condoned		(638 890)	-
Transfer to receivables for recovery			
Unauthorised expenditure awaiting authorisation		<b>19 564 161</b>	<b>638 890</b>
<p>The municipality changed its accounting policy regarding the accounting of traffic fines. Under GRAP 23 traffic fines must be accounted for on accrual bases at the transaction date. This has resulted to a huge increases in receivables from traffic fines, and a provision for bad debt which was not budgeted for was made.</p>			
<b>35.2 Irregular Expenditure</b>			
Reconciliation of irregular expenditure			
Opening balance		-	-
Irregular expenditure current year		34 843 192	-
Approved by Council or condoned		-	-
Transfer to receivables for recovery			
Irregular expenditure awaiting authorisation		<b>34 843 192</b>	<b>-</b>
<p>In terms of section 29(2) of the SCM Regulations, a Bid Adjudication Committee must consist of at least for senior managers of the municipality. Mthonjaneni municipality is a low capacity municipality with only three senior managers therefore all expenditures incurred through competitive bidding process amounting to R32 782 431.31 are regarded as irregular expenditure.</p> <p>The municipality have further deviated from supply chain processes: Three quotations not obtained and deviated for the reasons that do not meet the definition of deviation amounting to R1 064 470.83 in total.</p>			
<b>35.3 Fruitless and wasteful expenditure</b>			
Reconciliation of fruitless and wasteful expenditure			
Opening balance -		-	-
Fruitless and wasteful expenditure current year		827	-
Condoned or written off by Council			
To be recovered – contingent asset			
Fruitless and wasteful expenditure awaiting condonement		<b>827</b>	<b>-</b>
<b>36 Collection Cost</b>			
Collection Cost		-	58 970
		<b>-</b>	<b>58 970</b>

**Mthonjaneni Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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	Note	2014 R	2013 R
<b>ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT</b>			
<b>37.1 Contributions to organised local government</b>			
Opening balance		-	-
Council subscriptions		256 151	400 000
Amount paid - current		(256 151)	(400 000)
Amount paid - previous years			
<b>Balance unpaid (included in payables)</b>		<b>(0)</b>	<b>-</b>
<b>37.2 Audit fees</b>			
Opening balance		45 433	-
Current year audit fee		928 766	900 000
Amount paid - current year		(928 766)	(854 567)
Amount paid - previous years		(45 433)	
<b>Balance unpaid (included in payables)</b>		<b>0</b>	<b>45 433</b>
<b>37.3 PAYE and UIF</b>			
Opening balance		-	-
Current year payroll deductions		3 219 413	2 587 495
Amount paid - current year		(3 219 413)	(2 587 495)
Amount paid - previous years			
<b>Balance unpaid (included in payables)</b>		<b>-</b>	<b>-</b>
<b>37.4 Pension and Medical Aid Deductions</b>			
Opening balance		-	-
Current year payroll deductions and Council Contributions		4 045 191	3 291 039
Amount paid - current year		(4 045 191)	(3 291 039)
Amount paid - previous years			
<b>Balance unpaid (included in payables)</b>		<b>(0)</b>	<b>-</b>
<b>37.5 Councillor's arrear consumer accounts</b>			
The following Councillors had arrear accounts outstanding for more than 90 days as at -	<b>TOTAL</b>	<b>Outstanding less than 90 days R</b>	<b>Outstanding more than 90 days R</b>
<b>as at 31 March 2014</b>			
Speaker: Councillor Jiyane	17 534	326	17 208
Councillor Masikane	392	81	310
<b>Total Councillor Arrear Consumer Accounts</b>	<b>17 925</b>	<b>407</b>	<b>17 518</b>
<b>as at 30 June 2013</b>			
Speaker: Councillor Jiyane	16 974	2 589	14 385
Councillor Masikane	110	110	-
<b>Total Councillor Arrear Consumer Accounts</b>	<b>17 084</b>	<b>2 699</b>	<b>14 385</b>
During the year the following Councillors had arrear accounts outstanding for more than 90 days.		<b>Highest Amount Outstanding R</b>	<b>Ageing Days</b>
<b>as at 31 March 2014</b>			
Speaker: Councillor Jiyane		17 208	180+days
<b>as at 30 June 2013</b>			
Speaker: Councillor Jiyane		13 380	730 days
<b>37.6 Deviation from Supply Chain Management Processes</b>			
The Municipality has deviated from SCM Processes, the deviations were sent quarterly to the Mayor. The total amount the Municipality incurred when procured these goods and services amounted to R 2 096 000.78			
The following is the summary of the deviations categorised by various reasons			
Emergency		1 102 944	
<b>Total Deviation</b>		<b>1 102 944</b>	

**Mthonjaneni Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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Note	2014 R	2013 R
<b>38 Businesses in service of the state</b>		
The municipality have done business with entities whose connected persons are in the services of the state.		
<b>Supplier</b>	<b>2014</b>	<b>2013</b>
Mahlabathini Building supplies	-	41 780
Bizee Corp 90	2 177.40	
Golden Rewards 94cc	1 055.61	
	<u>3 233.01</u>	<u>41 780</u>

**39 CAPITAL COMMITMENTS**

**Commitments in respect of capital expenditure**

**- Approved and contracted for**

Infrastructure	884 393	50 731 187
Community	884 393	47 802 403
Heritage	-	2 928 784
Other	-	-

**- Approved but not yet contracted for**

Infrastructure	-	5 564 000
Community	-	5 564 000
Heritage	-	-
Other	-	-

<b>Total</b>	<b>884 393</b>	<b>56 295 187</b>
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This expenditure will be financed from:

- External Loans	-	-
- Government Grants	884 393	53 366 403
- Own resources	-	2 928 704
- District Council Grants	-	-
	<u>884 393</u>	<u>56 295 107</u>

**40 Operating leases**

At the reporting date the entity has outstanding commitments under operating leases which fall due as follows:

**Operating leases - lessee**

Within one year	47 511	34 171
In the second to fifth year inclusive	31 674	-
After five years	-	-
<b>Total</b>	<b>79 185</b>	<b>34 171</b>

The future minimum lease payments receivable under operating leases for the actual receivables are as follows:

Not later than 1 year	140 000	316 000
Later than 1 year and no later than 5 years	560 000	-
Later than 5 years	606 667	-
	<u>1 306 667</u>	<u>316 000</u>

Operating lease payments relate to lease of switch boards line.

Operating lease payments receivables relate to rentals for the commonage, vacant land

**41 ANALYSIS OF THE RESULT OF DISCONTINUED OPERATIONS**

**Clinic services**

Income : Government grants and subsidies

Expenditure: employee related costs

**Net (deficit)/surplus from discontinued operations**

-	29 561
-	-16 243
-	<u>13 318</u>

**42 RETIREMENT BENEFIT INFORMATION**

**42.1 Defined contribution plan**

The Municipality operates on an accredited medical aid scheme, namely key Health.

The Pensioners continue on the option they belong to on the day of their retirement. The Independent valuer ZAQ consultants and Actuaries carried out actuarial valuation as at 30 June 2014.

Details of project team

**Mthonjaneni Municipality**  
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Note	2014 R	2013 R
Project Leader: Neil Fouries		
: Senior Ectuary		
: Member of FASSA, CERA and a registered retirement fund valuator		
: Over 8 year experiance		
Project Manager : Pieter Wasserfall		
: Actuarial Specialist		
: Qualified actuary		
: Over 8 years of experience		
Project Administrative Assistant : Johan Scholtz		
: B.Comm (Hons)		
: 3 years experience		

The Principal actuarial assumptions were as follows:

**Post-employment medical benefits**

The municipality operates on an accredited medical aid scheme, namely KeyHealth

Discount rate per annum	8.94%	7.75%
Health care cost inflation rate	8.05%	5.00%
Benchmark inflation (equal to salary inflation)	7.05%	7.00%
Average retirement age	63	48.6
Portion of retired members who are married		
Active members	7	7
Mortality during employment		
Mortality post-retirement		
(No explicit assumption was made about additional mortality or health care costs due to AIDS.)		

The amount recognised in the Statement of Financial Position were determined as being the present value of the obligation: 1 439 000      1 507 000  
Movement in the defined benefit obligation is as follows:

Balance at the beginning of the year	1 507 000	1 740 851
Current service cost	91 000	114 824
Interest cost	121 000	133 354
Benefit payments	-44 000	-41 000
Actuarial(gains)losses	-236 000	-441 029
Recognition of previously unrecognised defined benefit liability		
Balance at end of year	1 439 000	1 507 000

The amount recognised in the Statement of Financial Performance were as follows:

Current service cost	91 000	114 824
Interest cost	121 000	133 354
Benefit payments	-44 000	-41 000
Actuarial(gains)losses	-236 000	-441 029
Total, included in employee benefits expense (Note 16)	-68 000	233 851

**Long service awards liability**

The municipality has an obligation with respect to their employees in recognition of long periods of service.

Employees receive additional leave in respect of long service awards. The independent valuers, Alexander Forbes Financial Services (Pty) Ltd, carried out a actuarial valuation as at 30 June 2013.

The principal actuarial assumptions used were as follows:

Discount rate per annum	7.96%	7.40%
Inflation rate	6.33%	5.86%
Salary increase rate	7.33%	6.66%
Benchmark inflation(equal to salary inflation)	0.59%	0.69%
Average retirement age	63	63
Average future working lifetime of active members		16.85years
Active members	94	90
Pre-retirement mortality rate		
(No explicit assumption was made about additional mortality or health care costs due to AIDS.)		

Percentage of in-service wuthdrawing before retirement:

Age	Withdrawal Rate Females	Withdrawal Rate Males
20-24	16%	24%
25-29	12%	18%
30-34	10%	15%
35-39	8%	10%
40-44	6%	6%

**Mthonjaneni Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 30 June 2014**

	Note	2014 R	2013 R
45-49		4%	4%
50-54		2%	2%
55+		0%	0%

**RETIREMENT BENEFITS (Continued)**

**42.2 Long service awards liability**

The amount recognised in the Statement of Financial Position were determined as being the present value of the obligation:

857 000      805 000

Movement in the defined benefit obligation is as follows:

Balance at the beginning of the year	805 000	781 606
Current service cost	104 000	118 878
Interest Cost	63 000	69 467
Benefit Payments	-90 000	-8 560
Actuarial (gains)/Losses	-25 000	-156 391
Recognition of previously unrecognised defined benefit liability		

Balance at the end of year	<b>857 000</b>	<b>805 000</b>
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Total Retirement benefit	2 296 000	2 312 000
Less: Transfer to non current liabilities held for sale	0	0

Defined benefit plan obligations	<b>2 296 000</b>	<b>2 312 000</b>
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The amount recognised in the Statement of Financial Performance were as follows

Current Service cost	104 000	118 878
Interest	63 000	69 467
Benefit Payments	-90 000	-8 560
Actuarial (gains)/losses	-25 000	-156 391
	<b>52 000</b>	<b>23 394</b>

**43 ELECTRICITY DISTRIBUTION LOSSES**

Units lost ( kilowatts)	1 562 888	1 545 132
Units lost ( sales price per kilowatts-rands)	1 270 628	1 514 229
Units lost (purchase price per kilowatt)	693 141	525 345
Units lost percentage	8.39%	9.45%

Although units per kilowatts were lost in distribution, the electricity service experienced a surplus of:

**1 144 531      1 704 764**

**44 RELATED PARTIES**

Compensation to councillors and other key management (refer to note 25 & 26)

The following councillors and key management owes the municipality in respect of the traffic fines as at 30 June 2014

Surname	Initials	Position	Amount
Mnguni	R P	Municipal Manager	7 950
Buthelezi	G B	Director Corporate	100
Simamane	T N	CFO	0
Xulu	P T	Director Technical	0
			<b>8 050</b>

Surname	Initials	Title	Amount
Jiyane	N A	Speaker	2 650
Biyela	M N	Ward 4 Cllr	0
Ndlangamandla	M N	Mayor	3 250
Khuzwayo	S M	Ward 3 Cllr	0
Mgenge	N E	Ward 5 Cllr	1 800
Zungu	H K	PR	2 700
Masikane	E M	Ward 1 Cllr	200
Gumede	G V P	Deputy Mayor	8 00
Ntombela	P E	Ward 2 Cllr	2 150
Zulu	M S	PR	150
Biyela	S B K	PR	2 300
			<b>16 000</b>

**Mthonjaneni Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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Note

2014  
R

2013  
R

**45 RISK MANAGEMENT**

**45.1 Maximum credit risk exposure**

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluates credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

Financial assets exposed to credit risk at year end were as follows:

Investments  
Cash and cash equivalents  
Trade and other receivables

25 870 397	67 040 000
20 266 665	721
11 706 173	7 838 143
<b>57 843 236</b>	<b>74 878 864</b>

**45.2 Liquidity risk**

Liquidity risk refers to the ability of an entity to meet its obligations associated with financial liabilities. The municipality's liquidity risk pertains to whether funds are available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit obligations.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

Financial liabilities exposed to credit risk at year end were as follows

**Financial liabilities**

Trade and other payables from exchange transaction

<b>3 710 472</b>	<b>2 877 627</b>
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**46 Change In Accounting Policy**

**46.1 Employee benefits**

The municipality changed its accounting policy from IAS 19 to GRAP 25 employee benefits with no effect on the financial information previously reported other than an additional disclosure in terms of GRAP 25.

**46.2 GRAP 31 Intangible assets**

The municipality changed its accounting policy from GRAP 102 to GRAP 31 intangible assets with no effect on the financial information previously reported.

**46.3 IGRAP 1**

The municipality has applied IGRAP 1 in the 2013-2014 financial year and the change in accounting policy has been applied prospectively as per ASB with no effect on the financial information previously reported.

**47 CHANGE IN ACCOUNTING ESTIMATE**

The useful life of certain Property plant and equipment was estimated to be 4, 5, 7, and 10 years. In the current period management have revised their estimate to 6, 8, and 12 years. The effect of this revision has decreased the depreciation charges by

In the current year  
In the future periods

R 30 739  
R 737 737

**Mthonjaneni Municipality**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2014

	Note	2014 R	2013 R
<b>48 CORRECTION OF PRIOR PERIOD ERROR</b>			
<b>48.1</b>			
During the year ended 30 June 2012 and previous years , PPE and other assets were incorrectly recognised :-			
Depreciation		-	-4133948
Net effect on surplus/(deficity) for the year		-	-4133948
PPE		-	5210968
Net effect on Statement of Financial Position		-	5210968
Net effect on Accumulated surplus opening balance		-	-1077020

**48.2 Revenue from traffic fines**

Previously the municipality had applied GRAP 9 to account for traffic fines and for the reporting period on or after 30 April 2012 GRAP 23 became effective. The municipality did not apply GRAP 23 in 2013 financial year as it was suppose to have done but only applied it during 2014 financial year. This has resulted to the correction of prior period error.

The correction of prior period error has the following effect on the trade and other receivables from non-exchange transactions and accumulated surplus for previous.

**48.2.1 Trade receivables from non- exchange transactions**

Balance previously published as per AFS 30 June 2013	5 312 552
GRAP 23 Implementation - Traffic fines	11 369 746
Traffic fines payments received during the year of 2013	(2 482 000)
<b>Balance now published as per AFS 30 June 2013</b>	<b>14 220 298</b>

**48.2.2 Accumulated surplus**

Balance previously published as per AFS 30 June 2013	176 029 551
GRAP 23 Implementation - Traffic fines	11 369 746
Traffic fines payments received during the year of 2013	(2 482 000)
<b>Balance now published as per AFS 30 June 2013</b>	<b>184 937 297</b>

**49 Contingent Liability**

An amount of R1 540 000 is used as guarantee to Eskom in relation of the electricity supply. The amount would be payable to Eskom should the municipality fail to pay.

**Mthlonjani Municipality**  
**APPENDIX B**  
**ANALYSIS OF PROPERTY PLANT AND EQUIPMENT**  
as at 30 June 2014

	Cost / Revaluation						Accumulated Depreciation						Transfers	Other movements	Carrying Value
	Opening Balance R	Correction of an error	Additions R	Transfers	Disposals R	Under Construction R	Closing Balance R	Opening Balance R	Depreciation R	Correction of error- depreciation	Disposals R	Impairment loss/reversal of impairment loss R			
Land	2 562 011						2 562 011								2 562 011
Land	2 562 011						2 562 011								2 562 011
Buildings	27 208 994		15 346 090		226 383		42 326 081	(6 752 649)	(979 001)		226 383	(168 265)	(7 674 402)		34 654 289
Infrastructure															
Roads	18 075 143		44 665 046		-		62 740 189	(1 401 828)	(650 610)		-	-	(2 052 438)		60 687 752
Solid Waste Disposal	143 630		164 880		-		308 510	(28 726)	(7 453)		-	-	(36 179)		272 331
Electricity	8 368 831		795 830		89 254		9 075 407	(3 360 118)	(209 648)		89 254	-	(3 480 513)		5 594 865
Electricity Peak Load Equip					-						-	-	-		-
Cemeteries					-						-	-	-		-
Water Meters					-						-	-	-		-
Housing					-						-	-	-		-
Under construction	67 920 690		-	(59 679 186)		24 908 992	33 151 516				-	-	(5 568 129)		33 151 516
	94 608 294		45 625 758	(59 679 186)	89 254	24 908 992	105 275 623	(4 790 672)	(867 710)		89 254	-			99 708 494
Community Assets															
Cemeteries	945 750		-	-	-	-	945 750	(422 008)	(58 642)		-	-	(480 650)		465 100
	945 750		-	-	-	-	945 750	(422 008)	(58 642)		-	-	(480 650)		465 100
Total carried forward	126 225 039	60 971 647	(59 679 186)	315 637	24 908 992	161 112 075	(11 965 528)	(1 906 034)	315 637	(168 265)	(13 724 180)	-	137 387 694		



APPENDIX B  
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT  
as at 30 June 2014

Cost / Revaluation															Accumulated Depreciation				
	Opening Balance	Correction of an error	Additions	Transfer	Disposals	Under Construction	Closing Balance	Opening Balance	Depreciation	Correction of error-depreciation	Disposals	Impairment loss/Reversal of Impairment loss	Closing Balance	Transfers	Other movements	Carrying Value			
	R		R		R	R	R	R	R	R	R	R	R	R	R	R			
Total brought forward	125 225 039	-	80 971 847		315 637	15 624 752	161 112 075	(11 965 529)	(1 906 034)		315 637	(166 265)	(13 724 180)			137 987 894			
Other Assets																			
Machinery and Equipment	2 136 651		163 195		(800 723)		1 701 123	(1 009 829)	(227 836)		565 992		(651 473)			1 049 651			
Furniture & Fixings	821 862		24 605		(92 386)		754 181	(457 254)	(95 044)		92 386		(459 912)			294 268			
Motor Vehicles	4 221 863		3 361 677		(516 603)		7 066 937	(2 130 272)	(871 809)		460 313		(2 341 768)			4 725 169			
Computer Equipment	724 682		63 209		(107 542)		880 348	(274 821)	(109 957)		107 542		(277 236)			403 113			
Water	5 377				(5 377)		-	(537)	(108)		645		0			0			
	7 912 535	-	3 612 685		(1 322 630)	-	10 202 580	(3 672 514)	(1 104 754)	-	1 248 679	-	(3 730 388)	-	-	6 472 202			
Total	133 137 574	-	84 594 532		(1 006 994)	15 624 752	161 314 665	(15 838 043)	(3 010 787)	-	1 562 516	(166 265)	(17 454 568)	-	-	143 880 096			

## as at 30 June 2013

	Cost / Revaluation				Accumulated Depreciation								Other movements	Carrying Value	
	Opening Balance	Correction of error	Additions	Transfer	Disposals	Under Construction	Closing Balance	Opening Balance	Depreciation	Correction of error	Disposals	Impairment /loss/Reversal of Impairment loss			Closing Balance
Total brought forward	R 101 140 919		R 1 615 827		R -	R 28 268 608	R 130 361 348	R (10 647 753)	R (1 562 102)		R 264 327	R -	R (11 965 528)	R -	R 113 259 510
Other Assets															
Machinery and Equipment	3 967 518	(1 711 193)	296 308	(412 981)	-	2 138 661	(2 601 047)	(265 025)	1 847 961	6 463	(1 009 628)	-	1 129 023	-	1 129 023
Furniture & Fittings	1 569 161	(1 291 755)	524 596	-	-	831 962	(919 290)	(328 251)	790 292	-	(457 265)	-	364 708	-	364 708
Motor vehicles	3 725 033	(839 841)	1 139 819	(3 947)	-	4 221 864	(2 264 443)	(649 555)	779 835	3 690	(2 130 273)	-	2 091 591	-	2 091 591
Computer Equipment	837 148	(785 986)	653 119	-	-	724 662	(411 786)	(312 229)	449 184	-	(274 821)	-	449 861	-	449 861
Water	84 232	(78 865)	-	-	-	5 377	(6 434)	(108)	6 005	-	(637)	-	4 840	-	4 840
	10 203 081	(4 496 229)	2 612 611	(3 947)	-	7 912 535	(6 203 000)	(1 554 969)	3 873 261	12 173	(3 872 514)	-	4 040 021	-	4 040 021
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	111 344 001	(5 150 335)	4 228 538	3 947	28 268 608	138 273 884	(16 650 753)	(3 137 970)	4 137 608	12 173	(15 838 042)	-	117 299 531	-	117 299 531

**Mthongjaneni Municipality**  
**APPENDIX C**  
**SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT**  
as at 30 June 2014

	Cost / Revaluation						Accumulated Depreciation						Carrying value
	Opening	Additions	Under	Disposals	correction of	Transfer	Closing	Opening	Additions	Disposals	correction of	Closing	
	R	R	R	R			R	R	R	R		R	
Corporate Services	105 000	312600		(46 486)			371 114	(51 200)	(550)	46486		-5 264	365 850
Executive & Council	18 436 687			(154 160)			18 282 537	(4 219 128)	(294 821)	153 870		-4 360 079	13 922 458
Finance & Admin	523 140	75 330		(67 742)			530 728	(321 232)	(10 334)	67 102		-264 464	266 264
Technical Services	67 103 583	3 253 132	24 909 992	(1 234 670)		(5 136 310)	88 895 727	(3 489 027)	(2 145 500)	159 851		-4 474 676	84 421 050
Community & Social Services	14 841 500	46 216					14 887 716	(1 810 782)	(186 424)			-2 006 186	12 881 530
Mayor	16 463	415 700					432 163	(2 341)	(956)			-3 297	428 866
Municipal Manager	534 329	6 559					540 888	(333 018)	(9 572)			-342 580	198 298
Library	17 868						17 868	(2 746)	(758)			-3 504	14 365
Public Safety	3 345 044			(45 955)			3 299 089	(509 037)	(50 706)	45 952		-513 791	2 785 298
Sport & Recreation	1 211 184						1 211 184	(79 645)	(25 401)			-104 946	1 106 238
Waste Management	3 152 620						3 152 620	(285 648)	(39 605)			-325 253	2 827 367
Electricity	20 868 509	795 830		(89 252)			21 575 087	(4 388 450)	(288 101)	89 252		-4 567 299	17 007 788
Town Estate	8 117 946						8 117 946	(345 908)	(137 314)			-483 222	7 634 724
Total	138 273 884	4 905 366	24 909 992	(1 638 265)	-	(5 136 310)	161 314 667	(15 838 042)	(3 179 042)	1 562 513	-	(17 454 571)	143 860 097

**Mthonjaneni Municipality**  
**APPENDIX D**

**SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE**  
for the year ended 30 June 2014

2013		2013		2013	
Actual Income		Actual Expenditure		Surplus / (Deficit)	
R		R		R	
53 997 769	-	11 369 212	(11 369 212)	Executive & Council	
29 561		7 646 344	46 351 425	Finance & Admin	
638 325		16 243	13 318	Health	
-		20 672 512	(20 034 188)	Community & Social Services	
1 082 859			-	Public Safety	
14 274 147		1 972 963	(890 104)	Waste Management	
28 127 675		5 354 569	8 919 579	Road Transport	
		16 577 995	11 549 681	Electricity	
				Other	
98 150 335		63 609 837	34 540 498		
Less: Discontinued Operations					
Less: Inter-Department Charges					
98 150 335		63 609 837	34 540 498	Total	

2014		2014		2014	
Actual Income		Actual Expenditure		Surplus / (Deficit)	
R		R		R	
37 867 193	-	6 868 564	(6 868 564)		
-		29 239 501	8 627 691		
34 060		8 597 833	(8 563 773)		
18 272 774		6 766 277	11 506 497		
1 131 632		1 808 637	(677 005)		
16 522 324		631 230	15 891 094		
23 250 004		19 574 433	3 675 571		
691 097		12 315 260	(11 624 163)		
97 769 085		85 801 736	11 967 349		
Less: Discontinued Operations					
Less: Inter-Department Charges					
97 769 085		85 801 736	11 967 349	Total	